Financial Report

OF

GEO. A. HORMEL & COMPANY

AUSTIN, MINNESOTA

for the

Fiscal Year Ended October 29, 1955

OFFICERS

H. H. Corey	Chairman of the Board
R. F. Gray	President
*R. H. Daigneau	Vice President
Park Dougherty	Vice President
R. D. Gower	Vice President and Controller
T. H. Hocker	Vice President
A. E. Larkin	Vice President
Clarence A. Nockleby	Vice President
J. L. Olson	Vice President
E. J. Garrity	Assistant Vice President
M. F. Dugan	Treasurer
Geo. W. Ryan	Secretary and Assistant Treasurer
P. C. Knopf	Assistant Treasurer
R. C. Dougherty	Assistant Secretary
R. H. Biedermann	Assistant Controller
E. H. Larson	Assistant Controller

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DIRECTORS

R. S. Banfield
H. H. Corey
Park Dougherty
M. F. Dugan
R. D. Gower
R. F. Gray

T. H. Hocker
A. E. Larkin
Clarence A. Nockleby
J. L. Olson
Geo. W. Ryan
Fayette Sherman

*Deceased September 18, 1955

Austin, Minnesota
December 5, 1955

To the Stockholders of
Geo. A. Hormel & Company

The financial report of your company for the fiscal year ended October 29, 1955, is submitted herewith.

Net dollar sales for the year amounted to $336,603,084, an increase of 1.4% over the previous, and highest, year.

The sales tonnage for the first time in the company's history exceeded one billion pounds and amounted to 1,153,926,547 pounds, an increase over the previous year of 16.4%. This makes the ninth successive year the tonnage sales have increased.

The moderate dollar sales increase, as compared to the large increase in tonnage, reflects the lower prices of livestock and product.

The large increase in the volume of the company's business was made possible by the plentiful supply of livestock available and because of the general high level of national employment. The lower prices of meat to the consumer no doubt helped to stimulate the demand.

After allowing for dividends on preferred stock, the net earnings applicable to the common stock were $3,734,223, or $7.30 per share, compared to $3.41 last year and $5.73 the year before.

We are pleased with the progress of the business during the year. Over the past ten years we have invested considerable money in new facilities and modernizing our Austin and outside plants. These investments proved to be justified this year and made possible our increased volume. Our net profit per dollar of sales, though improved, still continues low as compared to most any other class of business, amounting to only 1.14 cents per dollar of sales and 33 cents per hundredweight of product sold.

We continue to price our inventory, as reflected in our financial report, at the lower of cost or market.

The union contracts with our employees commit the company to any general wage increase in our industry. Accordingly, our company increased the rates to employees by 14 cents an hour on August 1, following a general increase by the larger packers.

The year-end joint earnings distribution to employees amounted to $2,182,012, or 3.091 checks, based on a 40 hour week.

The company's contribution to the Hormel Employees' Profit-Sharing Trust, which provides retirement benefits for employees, amounted to $2,022,780.

During the fiscal year, we paid off $1,200,000 of our long term debt, which was not due to be retired until November 15, 1955, leaving a balance owing on the term loan of $10,800,000, with no payments due until November 15, 1956. Other than the term loan, we had no borrowed money at the year end. Our cash, accounts receivable and Government securities were greater than the total of all our current liabilities.

The strength of the company's financial position is further evidenced by an increase in working capital which now stands at $21,370,242. The improvement in working capital was due to earnings retained in the business and because our capital expenditures were less than the depreciation expense for the year. Your directors feel that our strong working capital position will permit the company to expand its operations without hesitancy whenever opportunity or demand prove advisable. Capital investments made during the year were largely for the purpose of adding facilities and machinery to improve our product and to keep our merchandise competitive. By better planning and rearrangement, we have provided for additional production in many departments without incurring new building costs.

As a part of our plan for expansion, we recently purchased the plant of the Cudahy Packing Company at Fresno, California. We are not planning any slaughtering at Fresno and will operate the new plant for processing our manufactured product. This will relieve the congestion at our other California plants. At a relatively small expenditure, we have placed the plant in operation and will continue to remodel it as we expand to new lines of production. We believe the new plant will enable us to better serve customers we now have in Fresno and vicinity and will give us the opportunity to take care of a rapidly expanding area of new customers.

We continue to make repairs to maintain our packing houses and branch houses at full efficiency.

New sales territories have been added in several cities throughout the country and through our branch house organization. This will continue to be our policy.

In continuing the advertising of our products we have, we believe successfully, made it effective and kept the cost in line with results.

During the year, we have introduced several new methods and products and have many others in the experimental stage.

Recently an immobilizer for handling hogs was installed at our Fremont, Nebraska, plant. The Fremont immobilizer embodies another new method of slaughtering and bleeding hogs which we are sure will be very effective in preventing many types of inside bruises in the product. The method was worked out in our research department here in Austin and we believe, with the hog immobilizer, it will prove to be a major contribution to the packing industry.

We record with sorrow the passing of R. H. Daigneau, Vice President and a long-time director of our company.

The management is deeply appreciative of the support and cooperation of our employees. Our future growth and progress will depend on our continued combined efforts.

H. H. COREY
Chairman of the Board

BALANC

Geo. A. Hormel & Comp

October

ASSETS

CURRENT ASSETS			$43,308,573
Cash		$10,170,557	
United States Treasury bills — at cost which approximates market		5,967,000	
Accounts receivable, less allowance of $100,000		11,517,603	
Inventories of products, livestock, packages and materials — at lower of cost (principally first-in, first out) or market		15,402,325	
Prepaid insurance and other expenses		251,088	
PROPERTY, PLANT AND EQUIPMENT			18,976,717
Land—at cost		$ 346,292	
Buildings and equipment		17,811,491	
Cost	$33,425,105		
Less allowances for depreciation	15,613,614		
Movable equipment — inventoried at cost, less depreciation		818,934	
			$62,285,290

CE SHEET

pany — Austin, Minnesota

29, 1955

LIABILITIES

CURRENT LIABILITIES		$21,938,331
Accounts payable and accrued expenses, including pay rolls, profit-sharing trust contribution, etc.	$17,424,906	
Dividends payable November 15	341,369	
Federal taxes on income—estimated	4,172,056	
LONG-TERM DEBT		10,800,000
Unsecured notes payable to banks, $1,200,000 due annually on November 15, 1956 through 1963, and on June 30, 1964	$10,800,000	
STOCKHOLDERS' INVESTMENT		29,546,959
Preferred stock, cumulative, par value $100 per share: Authorized 48,935 shares; Issued and outstanding 14,454 shares — Series A, 6%, callable at $105 per share	$ 1,445,400	
Common stock, par value $15 per share: Authorized 600,000 shares; Issued and outstanding 511,500 shares	7,672,500	
Earnings reinvested in the business, in addition to amounts transferred to common stock (under provisions of long-term debt agreement $16,005,620 not available for cash distributions on common stock)	20,429,059	
		$62,285,290

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal year ended October 29, 1955

SALES (less returns and allowances)		$350,245,216	
Less freight and express		13,642,132	
NET SALES			$336,603,084
COSTS, EXPENSES AND TAXES (Itemized below)			332,782,137
MATERIAL COSTS AND EXPENSES		$271,177,373	
Cost of products sold, selling, administrative and general expenses, exclusive of items shown separately	$268,651,373		
Provision for depreciation	1,869,272		
Sundry charges (including interest expense of $733,964) less sundry income and credits	656,728		
TOTAL WAGE COSTS		56,209,549	
Wages and salaries, including joint earnings	$ 51,988,879		
Contribution to employees' profit-sharing trust	2,022,780		
Federal and state unemployment and old age contributions	912,578		
Group life, hospitalization, and sick leave	1,285,312		
TOTAL TAXES		5,395,215	
State income, property, and other taxes	$ 1,320,215		
Federal taxes on income — estimated	4,075,000		
NET EARNINGS			$ 3,820,947

EARNINGS REINVESTED IN THE BUSINESS

Geo. A. Hormel & Company

Fiscal year ended October 29, 1955

Balance October 30, 1954		$17,973,586
Add net earnings for the year		3,820,947
		$21,794,533
Deduct cash dividends		1,365,474
On preferred stock—$6.00 per share	$ 86,724	
On common stock—$2.50 per share	1,278,750	
Balance October 29, 1955		$20,429,059

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the financial statements of Geo. A. Hormel & Company for the fiscal year ended October 29, 1955. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and Statements of Earnings and Earnings Reinvested in the Business present fairly the financial position of Geo. A. Hormel & Company at October 29, 1955, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 23, 1955